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Addis Ababa, 3-7 August 1987

ISSUES FOR THE JOINT STATEMENT OF AFRICAN GOVERNORS TO THE IMF AND WORLD BANK

GENERAL BACKGROUND

1. The economic crisis that has plagued African countries since the early 1980's is still widely felt throughout Africa despite a slightly better economic performance that was registered by few countries in 1986, mainly the oil importing ones. The African oil exporting countries however, have suffered serious economic setbacks due to last year's sharp fall in oil prices. To the fall in commodity prices on which African economies are heavily dependent now embraces all commodities exported by African countries including oil. The magnitude of the fall in commodity prices is clearly demonstrated by the performance in export earnings of African countries which sharply declined from US $ 60.6 billion in 1985 to US $ 44.2 billion in 1986. This has resulted in a decrease in foreign exchange available for African countries to import essential commodities and service their huge external debts.

2. Other factors have also been at work. These are fluctuations in exchange rates of the major currencies in which most international trade is denominated whose instability and of such amplitude over recent years that they have made economic planning in developing Africa extremely difficult. In addition, the interest rates which have decreased in nominal terms over last year are still very high in real terms and have even risen in nominal terms during the second quarter of 1987.

STRUCTURAL ADJUSTMENT AND POLICY REFORMS

3. Many African countries have introduced new policy reforms and implemented structural adjustment programmes specifically designed to overcome the present unsatisfactory situation of their economies bringing about a resumption in economic growth. However, Africa is still poorer today than it was in the 1960's immediately after independence. The plain truth is that growth rates have slowed down, per capita incomes have been shrinking, food production has declined and population growth rates are higher resulting in declining standards of living.

4. The international community, while aware of these policy reforms, have not done much to assist African countries in their efforts. Indeed, the adverse international economic environment has been further exacerbated by the decline in Official Development Assistance (ODA) in real terms as well as declines in export credits and foreign direct investment. The Commercial Banks have also either ceased or decreased substantially the provision of loans to African countries especially in the wake of the debt servicing crisis. The exports of manufactures and semi-manufactures have been subject to protectionism and other trade barriers which continue to take appear in the developed countries markets much more difficult. As a result, only few countries experienced balance of payments improvements and these have mainly been achieved through heavy reductions in imports of essential goods a method that is most undesirable taking into account the present stage of economic development of the countries and their need for engendering a full economic recovery.

UNITED NATIONS PROGRAMME OF ACTION FOR AFRICA'S ECONOMIC RECOVERY AND DEVELOPMENT (UNPAAERD)

5. We wish once again to draw attention to UNPAAERD which was adopted by the Special Session of the UN General Assembly on the Critical Economic Situation in Africa. This laid down a "compact" between Africa and the international community. Africa has recognized its responsibility in taking its economies out of the present crisis and has indeed already embarked on medium and long term programmes specially designed to alleviate the present crisis and ensure economic growth. The commitment of African countries in this regard are clearly outlined in Africa's Priority Programme for Economic Recovery 1986-1990 (APPER). The international community expressed its support to Africa through the special session of UN General Assembly on the Critical Economic Situation of Africa which adopted the United Nations Programme of Action for Africa's Economic Recovery and Development 1986-1990 (UNPAAERD). Two positive actions have been taken by the international community to fulfill its commitment to Africa's recovery programme, and increased efforts need to be made in order to provide Africa with the assistance it needs to extricate itself from the present crisis.

6. The implementation of the adjustment programmes and policy reforms on which many African countries have embarked over recent years have been particularly burdensome in terms of economic and social costs and their effectiveness in restoring balance to the external payments situation of the countries have yet to be fully assessed. To this end, Africa feels that excess demand as a cause of external payments imbalances, which seems to be the basis of the I.M.F. adjustment programmes, and the deflationary policies that invariably constitute these programmes, ought to be fundamentally reviewed in order to draw up new programmes that are more conducive to economic growth of African countries. The international economic and financial environment continues to be dictated by the policies of the few highly developed countries of the World which is, in our view unfair and inimical to global recovery and growth and detrimental to the implementation of adjustment programmes in the weaker countries of the world. It is therefore very difficult or even impossible for African countries to achieve better economic performance as long as few countries take the major decisions in the field of money, finance and trade without due regard to the situation of the weaker countries of the world and in particular African countries whose plight is, to say the least, serious.

7. It is high time that the I.M.F. exercises its surveillance on developed as well as developing countries as called for in its articles of agreement in order to ensure a stable international economic environment the present onesided adjustment programmes imposed on developing countries will not to take the world out of its economic crisis simply because the few countries which hold the key to the stability and economic growth are not undertaking any adjustment programmes themselves and are not making genuine efforts to help those that are adjusting. The recent attempts made by the industrialized countries to co-ordinate their economic policies, although welcome as they may be, have not yielded any concrete results. In fact, the divergence of opinions among these countries have increased protectionism as well as the fluctuations in exchange rates.

12. With regard to the World Bank, we would like to emphasize that in the case of dwindling resources for development the Bank has great importance in the provision of finance for development. It is in this connection that we are appealing to the management of the World Bank to increase its lending in real terms and on concessional terms to the countries of our region especially during the period 1987-1990 when our countries are implementing APPER and UNPAAERD. In order to achieve the required increase in lending in real terms the World Bank ought to proceed as soon as possible to an increase in its authorized capital which is now overdue.

13. We appreciate the World Bank's swift response to the particularly serious economic situation of sub-Saharan African countries through the establishment of the Special Facility for sub-Saharan Africa. We are however, disturbed by the discontinuation of the facility and would urge the Bank to reconsider the facility taking into account the continuing needs for more resources of African countries during the period 1988-1990. We sincerely hope that the major industrial countries will contribute generously to the facility with a view to keeping it operational for the duration of the special programme for Africa's Economic Recovery.

14. African countries will soon receive loans on IDA resources because of their concessional nature. The recently concluded eighth replenishment which amounted to US $ 12.4 billion is most welcome and we would like to seize this opportunity to congratulate both the donors and the management of the World Bank on this tremendous achievement. However, we would like to point out that Africa is the continent that is most in need of these resources. That fact should be taken into account in the new allocation of IDA resources. We would therefore urge the World Bank management to devote at least 25 per cent of IDA resources to development programmes in sub-Saharan African countries. Moreover, now that many African countries have recognised the importance of the private sector in the process of economic recovery and development, we would like to urge the IFC to intensify its activities in Africa including the mobilization of private external fund for investment in the countries of the region. In addition to the activities of the IFC, the World Bank ought to mobilize more resources on concessional terms for African countries especially the least developed ones. It is regrettable that the industrial countries have not so far managed an increase their ODA to reach the 0.7 per cent of GNP called for in the International Development Strategy for the Third United Nations Development Decade. It is also equally regrettable that the industrial countries have not yet honoured their commitment to provide 0.15 per cent of their GNP to the least developed countries as called for by the Substantial New Programme of Action. We would like to appeal to the World Bank to make more efforts to persuade the developed countries to honour their commitments to the developing countries especially those of Africa which are going through particularly difficult times.

15. On Africa's external indebtedness, we wish to stress that these cannot be seperated from the overall issue of resource flows. Therefore the World Bank ought to intensify its efforts to promote growth as the only viable solution for the debt crisis of African countries. It is only through growth that African

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DOMESTIC TRADE AND DEVELOPMENT IN
AFRICA: MEASURES TO ENSURE EFFECTIVE
CONTRIBUTION TO BALANCED DEVELOPMENT

I. INTRODUCTION

1. Up until now, all the African States have tried to strengthen their external trade structures in order to earn maximum convertible foreign exchange. However, few of them have taken specific measures to increase the contribution of their domestic trade to socio-economic development.

2. The Lagos Plan of Action, which stresses the need for Africa to implement a policy of national and collective self-reliance designates domestic trade as one of the key factors to socio-economic development.

3. The excessively slow economic growth of Africa when compared to what was expected some 20 years ago and the emergency situation which has developed in many African countries over the past few years require that the measures that are taken to increase manufacturing or agricultural production should give appropriate attention to the domestic trade of individual countries.

4. Indeed, inefficient or unsuitable systems of trade do not fulfill their main functions, i.e., supplying producers with appropriate inputs and taking their products to consumers and thus hamper economic development: in the first case they are physical obstacle while in the second they discourage the expansion of local production.

5. Their inefficiency is one of the main causes of the striking disparity between rural and urban areas. A large and often isolated proportion of the population derives little or no benefit from national economic growth, the development of industry and distribution networks which tend to favour the population concentrated in urban areas.

6. The concept of integrated rural development and the need for a multi-sectoral approach to the development of rural areas are generally accepted. The national bodies responsible for establishing development policies should recognize the catalytic role of domestic trade in increasing production and thereby creating jobs, distributing income and developing welfare in general and give it appropriate priority in their development programmes.

7. The ultimate objective of this study after defining domestic trade, its functions and structure and briefly considering the main characteristics of domestic trade structures in African economies, is to propose measures to maximize the contribution of domestic trade to the economic growth of a country while stressing those trade structures that promote the integration of rural areas in development and help to stimulate food and agricultural production. The study will thus endeavour to highlight the role of domestic trade in bringing about balanced economic growth.

II. DOMESTIC TRADE AND DEVELOPMENT

2.1 Definition and functions of domestic trade and factors that influence it.

8. The domestic trade of a country means all business transactions relating to trade in goods produced locally or imported and services within a national territory.

9. Domestic trade makes products available to users, producers and consumers. It therefore fulfills two functions. It provides a market for producers and satisfies the needs of users. It therefore has both a macro-economic role (it acts as an intermediary between supply and demand) and a micro-economic role (it provides an outlet for producer enterprises and satisfies the needs of users, producers and consumers.).

10. Domestic trade is thus a service producing economic sector, the services are added on to the value of products traded in and increase their overall usefulness. The contribution of domestic trade to the gross domestic product is calculated on the basis of the value added by the wholesale and retail trade in percentage of total sales to the user. 1/ However, it fulfills a more important function in the development process than what its direct contribution to GDP indicates. By virtue of its position as a link between economic activities, domestic trade can considerably influence the global development achievements of the various countries. This justifies the importance of improving and expanding knowledge of the role of services in general and of domestic trade in particular in the development mainly on the production sectors, agriculture and industry, without paying enough attention to the tertiary sector. Yet, a well-balanced and efficient services sector can make a substantial contribution to growth. Services have a considerable impact on the means of attaining some strategic and social objectives.

11. In order to ensure an optimal use of resources, public authorities should see to it that domestic trade, an economic sector that provides services, should provide such services at the least cost this calls for a streamlining of its operations and reducing the charges borne by users. At the same time, domestic trade should be able to bring all producers and users into contact with each other and this requires a policy on organizing collection and distribution.

12. The volume of a country's domestic trade depends on several factors which are intangible, economic (supply and demand, level of prices, cost of distribution services, credit facilities), organizational (distribution and storage) and legislative and physical (road infrastructure, transport facilities and communications networks).

13. The public authorities have a considerable capacity to influence both the volume and the geographical coverage of domestic trade. The aims of any government action in this area can be macro-economic in nature, for instance financing and organizing appropriate infrastructures and micro-economic. The measures that can be taken by the government are mainly legislative, regulatory, institutional and financial.

14. The government's role in domestic trade is to maximize the usefulness of the services rendered at the least possible cost while ensuring that the consumer is protected by promoting the sale of national production and facilitating the activities of public or private operators in the sector. It is the public authorities' responsibility to see to it that supply matches demand and to thus ensure that there is an increase in production and that most of the needs of the population are satisfied. The measures that States may take to accelerate, through domestic trading their economic development while ensuring or seeking a balance in development between rural and urban areas, will be considered under this angle.

2.2 Components and structure of domestic trade

15. The term 'domestic trade' of a country covers activities of very wide ranging importance

(a) The producers from whom wholesalers and marketing boards purchase goods vary in size from craftsmen and small-scale farmers to factories and large-scale farm co-operatives, and buyers can purchase volumes of a very wide range of merchandise from them;

(b) In developing countries, economic operators ranging from wholesalers to public distribution enterprises and individuals are in wholesaling as well as in small-scale retailing.

16. Similarly, domestic trade covers several types of transactions. Depending on the partners between whom they take place, the volume, geographical coverage or types of products traded in might involve the following operations

(a) Collection from or delivery by producers
(b) Transport

(c) Storage;
(d) Warehousing;
(e) Distribution; and
(f) Payment and possibly financing and credit.

17. Distribution is the most obvious of all the above-mentioned transactions. Its function is to make intermediate products available to users and consumer goods available to consumers. It is not necessarily profit making and may be organized for social and macro-economic purposes. 2/

18. Collection of products to be distributed is a pre-condition to distribution and therefore to the satisfaction of demand. However, its importance equally stems from the fact that it offers producers the possibility of marketing their products.

19. The measures taken by the public authorities in order to facilitate domestic trade therefore have two consequences: they improve the access of products to markets and they have endeavoured to better satisfy consumption.

20. The structure of domestic trade depends initially on the markets between which trading takes place, i.e. the supply and demand markets.

(a) The particular features of the supply market are the range of products offered, the prices demanded, the quantities offered, the dispersal or concentration of sources of supply and the level of competition between producers (i.e. the structure of supply) and the export policy with respect to goods produced in the country and the import policy on goods of foreign origin.

(b) The demand market is determined particularly by the income of consumers, what use they find in specific products and the geographic spread or concentration of products.

21. Each of these components influences the development of domestic trade structure, i.e. the structure of products supplied on the various markets, how economic operators are organized and the distribution channels.

22. Depending on whether supply is greater or lower than demand for a particular product, the market is dominated by the consumer or the wholesaler and this affects the efforts needed to dispose of the goods and the prices.

23. As it has been shown earlier, domestic trade has two functions disposing of locally-produced and imported products and satisfying demand. Insofar as it helps to dispose of national production thus serving as a link between producers and consumers, it can be said to be a factor of growth and therefore development.

24. In the following sections, this paper will consider to what extent such imbalances affect domestic trade after identifying some indicators of economic imbalance within African countries.

III. SOME INDICATIONS OF THE CAUSES OF ECONOMIC IMBALANCE WITHIN AFRICAN STATES

25. The recent emergency situation which affected a third of the population in the African region spread over 27 States and is on a much larger scale, a repetition of the food crisis of the early 1970s. It brutally highlights the dependence and extreme poverty of a large portion of the African rural population. The emergency situation in fact shows a distinction between rural areas and urban areas and demonstrates that large segments of the population living outside towns have derived little or no benefits at all from the economic and social progress achieved in many countries.

26. Several publications have dealt with Africa's population problems and the characteristics of its population are well known. The majority lives in rural areas (65 per cent in 1983), its density is low apart from island or small-area countries, it has a high growth rate, it is very young, the illiteracy rate is higher in the country-side than in the towns, and so on. The extent, causes and impact of rural depopulation have also been extensively analyzed.

27. In the current study, it is when such population data are compared to some economic data that they have any significance. Thus, although nearly two thirds of the African population lived in the rural areas in 1983, the share of the agricultural sector in the GDP of the sub-Saharan region fluctuated between only 29.5 per cent for West Africa and 38 per cent for East Africa 4/ and the sector in general had low productivity. According to a World Bank report, 5/ 33 to 50 per cent of the rural population in Africa south of the Sahara, lives in a state of poverty which is all the more serious because agriculture is under developed. In the same vein, a study carried out by FAO in 1980 6/ showed that there were considerable disparities between urban and rural incomes, urban incomes being three to four times rural incomes. 7/ and an examination of the terms of trade between rural and urban areas in Africa showed a general declining trend.

29. The unfavourable development of economic conditions in rural areas has accentuated the already widespread phenomenon of the rural-urban drift with the well-known impact on the availability of labour in farming areas and demand for foodstuffs in areas with high concentrations of population. The literacy campaigns mounted by African States have not always had the expected results. While it was thought that greater access to education and therefore to information would help to develop the rural areas particularly by increasing productivity, other obstacles have prevented the transition from traditional farming systems to more productive systems and simultaneously promoted the drift towards the towns of the young and literate population highlighting the slight influence that the rural population has on its future.

28. It has been realized that contrary to the assumptions of the development strategies of the 1960s, the economic growth of a State does not automatically bring about a better distribution of jobs and incomes nor does it effectively combat poverty.

30. Satisfying the basic needs of the rural population, giving it access to a more varied and wholesome diet, improving its standard of living, integrating it and involving it in national economic development have required a restructuring of national development policies in the light of existing regional disparities and geared to help the poorest segments of the population.

31. This study will show that with respect to the foregoing, an appropriate policy for developing domestic trade can play a catalytic role in integrating the rural areas and involving them in national economic growth.

IV. DOMESTIC TRADE IN AFRICAN ECONOMIES

32. The various components of domestic trade structure reflect the economic dualism which generally characterises developing economies. Thus:

(a) The domestic market is highly segmented particularly in terms of purchasing power with a considerable difference in average purchasing power between the urban and rural areas.

(b) The products traded in generally go through the same types of channels: the bulk of manufactures and imports generally goes to the large towns; some of the manufactures and imports go to rural markets (some products such as fertilizers go exclusively to rural areas.) while another portion is channelled to the border markets. In the case

of agriculture produce, the marketable surplus either goes to the towns or is exported. When there is a bad harvest the trend is reversed and the lack of response urges rural consumers to turn to the shops in the urban centres or to department and city generally causes a deterioration in the domestic terms of trade. It is the rural population that suffers. Urban and trade group relations is relatively low and rarely conducive to self-reliance. Followed by building materials and foodstuffs, money is there is trading among rural areas, it is the capital that is generally the hub.

(c) The structure of products supplied on the markets varies according to the size of the urban centre. Large towns offer more diversified ranges of goods in the urban centres where people earn higher incomes and there is a denser distribution system. It has thus been realized that the bulk of imported or locally-produced manufactures are sold in urban areas. Perishable items such as food clothing and luxury goods are sold mainly in the commercial establishments of the modern sector which is mainly urban. The items that are locally manufactured, especially in the suburban industrial areas are sold mainly in the producer areas which are often in the capital such, for instance, as the case in Ethiopia where nearly 67 per cent of local manufactures is intended for Addis Ababa. Self-production in the rural areas and food habits which often differ between urban and rural areas also influence demand structure.

(d) As far as the organization of economic operators in Africa is concerned a considerable contrast has been noticed between the modern commercial sector and the traditional sector which correspond by and large to the formal and informal sectors. The modern commercial enterprises operate in the urban areas and that is where almost all the wholesale trade, importers and specialized businesses are. The informal sector predominates in the rural areas in both distribution and production. Since it is linked to the splitting up of demand, it plays a key role in a country's economic activity and its impact should not be overlooked.

(e) In the rural areas the structure of production (scattered small productive units) and the shortage of appropriate infrastructure are the main reasons for the ill-functioning elsewhere of the distribution networks. Moreover, the fact that demand is often greater than supply and that consumers who are relatively isolated and badly informed tend to create scarcity as to the detriment of consumers.

(f) Most low priority infrastructures in the rural areas are aimed at collecting agricultural produce in order to bring them to the urban centres. Little effort has been made otherwise to satisfy rural consumers or producers. As indicated earlier on, the shortage of appropriate infrastructure often makes the distribution networks longer. This applies particularly to rural areas where, because the population could meet most of its needs while the consumers of urban centres had to turn to distributors to secure what they needed, the density

and quality of the road network have been less developed than in urban areas. Suitable warehouses or stores for storing goods supplied from industrial areas are rare in rural areas as are cold storage rooms for perishable foods produced locally or in neighbouring regions. Rural markets (even though they are exactly like many markets in the urban areas) are poorly equipped: they have rudimentary unloading facilities rainshelter shelters for sellers and goods, poor and unhealthy hygiene and sanitary conditions, problems of space during or preceding market days, no standardization of consignments (weights and quantities) and no packaging.

(g) The economic outlook is striking so far as the facilities that support the logistic trade of African farmers is concerned. Modern businesses (supermarkets, stores specializing in luxury items) and traditional and informal businesses exist side by side in the same towns. Each type of business has a different target market and this specificity shows the economic duality which characterizes developing economies in general.

(h) It has been noticed that credit agencies generally tend to grant loans to businesses based in the major urban centres. The economic operators in rural areas do not generally have the opportunity of securing financing from banking circles. The criticism that is often made about commercial loans is that they are not available. According to a study on the marketing of foodstuffs in Ghana, 71 per cent of the retail traders used their own capital to finance their activities, about 25 per cent came from family loans or loans from friends as against about two per cent who obtained banking loans and who were concentrated in two of the five regions studied. When the credit agencies have funds, what usually happens is that the terms under which loans are granted are such that most small borrowers turn towards other sources which are perhaps more costly but more flexible in terms of repayments. This is in fact what traders who deal in mostly perishable foodstuffs do because they run greater risks than most other traders.

(i) As a result of steady increase in the urban population which depends on the production of farming areas and often on imports for its food supplies, the public authorities have developed complex marketing systems for agricultural produce and strengthened the storage infrastructure in order to satisfy urban consumers. On the other hand, the interests of rural inhabitants seen as consumers have often been overlooked, such neglect has not always affected them as agricultural producers, since one of the permanent objectives of farm produce marketing systems is to stabilize or increase the incomes of farmers. Indeed, farmers are encouraged to grow marketable produce either to supply towns or for export. They therefore have to concentrate their efforts on certain products but such specialization makes them

gradually dependent on outside sources for foodstuffs that they no longer produce and this causes a general deterioration in the terms of trade to the disadvantage of farmers.

V. MEASURES ON HOW TO INCREASE THE CONTRIBUTION OF DOMESTIC TRADE TO DEVELOPMENT

33. The preceding section attempted to show through the examination of various components of domestic trade how the drawbacks of the sector support or strengthen the economic dualism of developing economies.

34. In this section, that examination will be completed by proposing measures on how to improve the sector and thus increase its contribution to development in general and to the integration of the rural sector in national development in particular.

5.1 General considerations

35. When recommendations are being prepared on how to organize domestic trade, it is important to take into account national development objectives of an economic and social nature and to consider the dynamic environment of domestic trade. The process of economic development implies specialization of labour and a growing geographic separation between production and consumption which together with the steady growth of the urban population creates a growing inter-dependence between sectors and increased trade. Domestic trade co-ordinates production and consumption activities.

36. What is required in order to develop and organize the sector is better knowledge of its current structure, mechanisms, domestic market (supply and demand) and obstacles to a better operation of the sector. Such improved knowledge means that the various governments should devote more time to studying the various elements of domestic trade and the interdependence between production, distribution and some economic data including prices.

37. It is wrong to believe that efficient distribution systems spring up spontaneously in the course of development. The public authorities need to formulate policies and programmes in order to facilitate and balance trade. Apart from the political aspect the organization of the sector requires taking legal and operational measures and assigning responsibilities to the State, public agencies and the private sector.

38. The measures that need to be taken in order to organize the sector and particularly to promote better integration of the rural sector in national economic development mainly concern:

(a) The structure of domestic trade and its mechanisms
(b) Infrastructure to facilitate domestic trade
(c) Pricing policies and domestic terms of trade
(d) Financing domestic trade.

5.2 Structures and mechanisms of domestic trade

39. It is up to the government to establish a list of objectives that should be attained through a reorganization of the domestic trade structure, to lay down the responsibilities of each category of operators in the sector and to establish a system of constant assessment of the sector's performance in the light of established objectives and the development of economic and social conditions.

40. The main objectives that the organization of the sector is expected to attain include:

(a) Stable, secure and cheap supplies of consumer, intermediate and production goods to consumers and users throughout the country;

(b) Protection of consumers, particularly those consumers who live far from centres of production and who do not have a choice between several sources of supply;

(c) Reducing or eliminating obstacles to the marketing of national products;

(d) Ensuring that public or private marketing officers can be relied upon to operate as regularly as possible.

41. In order to overcome the shortcomings identified in the preceding section, the public authorities need to take the following measures:

(a) Structure of products

It is necessary to lay down a definition of production, import and export policies that will permit a better adjustment of supply to domestic market demand. With respect to production policy, many countries consider the development of their agro-industry a priority, particularly in the rural areas. Agro-industries are important in that the value added is a source of additional income and it helps to diversify and enrich the diet. In order to expand agro-industries in the rural areas, special attention will have to be devoted to collecting, storing,

transporting and delivering raw materials and inputs, by improving infrastructure, analysing demand, supplying credit in order to build up stocks and disseminating information to small-scale producers on existing markets and their requirements.

(b) Structure of the wholesale market

A thorough analysis of demand is required. Demand concerns consumer goods as well as intermediate and/or further goods. The demand for the latter depends particularly on the policies implemented in order to attain sectoral objectives. It is important when considering each sector to take into account the fact that a substantial portion of the rural population does not have land and that when the rural population is enabled, among other things, with raw materials and tools this promotes the development of small processing workshops and the creation of added value in rural areas.

(c) How are economic operators to be organized?

Economic operators make up a complex distribution network which ranges from the marketing of goods to retailers. Where the State does not import, importers are often small distributors who act as wholesalers or distribute their products to wholesalers. Between the wholesalers and retailers there is, depending on how the distribution network is organized, a more or less long chain. The enterprises of economic pressure are tending to increase. Producers or wholesalers often use several levels of distribution for the same product according to the segments of the market which they want to reach. 9/ However, it is possible that users or consumers do not know where to find a specific article. That is where additional middlemen come in who have the information needed and who increase the price of the product.

(d) Given this lack of organization, it is important to define a clearer structure of commercial operators stating their respective roles and thus permitting a streamlining of distribution networks. Nevertheless, it is essential when preparing such a definition to take into account the needs of the population and not to overlook the fact that there is a multitude of small-scale and petty retailers often because there are smaller levels of demand that large marketing enterprises cannot satisfy at competitive prices. The main steps to be taken in this respect are therefore:

(a) Clearly defining the tasks of each category of operator in the national commercial system (state distribution enterprises, marketing co-operatives, wholesalers, semi-wholesalers, other intermediaries and retailers);

(b) Stipulating terms of admission to the trade particularly in the wholesale trade which will allow a better selection of enterprises, greater reliability of the sector and therefore fewer risks that distribution will be disrupted.

(e) Laying down conditions for competition which will prevent monopolies. This applies especially to the underserviced rural areas where demand is greater than supply and there is very little information this gives into the hands of commercial operators to the disadvantage of consumers.

(f) Distribution networks

It has already been seen that the very structure of the productive sector which is made up in the main of small production units, scattered demand in rural areas and inadequate infrastructure, have contributed to delays in the distribution networks. As far as the distribution of perishable foodstuffs is concerned the delays in distribution channels and the number of middlemen are even more crucial than the lack of preservation and processing facilities since perishable goods should be sold as quickly as possible. 10/

43. The main measures dealing with ways to improving distribution networks are:

(a) Taking steps to promote the consolidation of supply or demand through the setting up of producers' consumers' and users' associations or co-operatives;

(b) Carrying out a preliminary study on the best location for public or private wholesale bases based on several factors including proximity to the sources of supply or/and sales outlets to be serviced, the accessibility of the area and whether or not skilled manpower is available to operate the warehouse;

(c) Carrying out a preliminary study on the best location for perishable goods conservation and/or processing facilities mainly in the area of food either for direct consumption or processing;

(d) Involving public wholesale marketing corporations in the handling of some essential commodities in areas where the private sector refuses to operate;

(e) Taking into account consumers' interests and protecting such interests particularly in the so-called privileged areas where consumers have a weak purchasing power and are badly informed.

5.3 Infrastructure for facilitating domestic trade

44. The greatest imbalance between urban and rural areas is in the domestic trade infrastructures. Because of the steady growth in the urban population which depends almost entirely on the distribution networks for its supply of goods, investments in goods storage facilities and freezing facilities have been much more intensive in the urban areas

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3.4 Pricing policies and domestic terms of trade

47. In order to integrate rural economies into national economic development programmes, it is necessary to establish relationships between agricultural producer prices and the prices of goods and services purchased by farmers. Such relationships are known as domestic terms of trade.

48. To analyse the terms of trade, the agricultural producer price index and the prices index number of inputs have to be calculated which requires that accurate statistics are available.

49. When pricing agricultural commodities, account will be taken of the fact that

(a) The producer prices come on to the actual price to be received i.e. the price that reflects the cost of inputs and the impact of inflation on the prices of consumer goods (terms of trade)

(b) The prices offered to agricultural producers should be relatively stable and remunerative during the period of production and offer prospects of stability in the long term to stimulate investment

(c) The responses of producers to price variations or elasticity of supply varies depending on the measures taken in parallel with respect to input prices and marketing. The elasticity of the various crops may be such that a rise in the producer price of a particular cereal may not necessarily lead to an increase in overall agricultural production but only a transfer of resources from one product to the other. What is important to stimulate an increase in overall agricultural production is the total elasticity of supply.

(d) The pricing system will have credibility in the eyes of producers and be efficient only insofar as it is accompanied by realistic measures to ensure its application.

(e) The cost of storing crops and the cost of transport to the distribution centres should not be passed on to producers. Otherwise their incomes will shrink.

(f) It is important that small producers' associations that are directly concerned but are often not well organized and are badly represented should be part of the advisory committees established to fix agricultural prices.

50. Any control of the profit margins of economic operators such as public, mixed or private enterprises is an extremely delicate matter. It should take into account both the interests of consumers, the financial aim of distribution policies, and the concern to provide a fair remuneration for business activity. Such profit margins may engender the need

to subsidize public marketing agencies to enable them to continue operating or force private business corporations to file their petitions for bankruptcy thereby disrupting the distribution network to the disadvantage of consumers, especially if such consumers live far away from trade centres.

5.5 Financing domestic trade

51. As trade develops and distribution covers larger markets, there is a greater demand for investment, inventory and working capital. However, African countries do not have banks that specialize in financing business activities apart from some institutions that finance the marketing of agricultural products.

52. Generally, commercial banks give loans only to companies in the modern and organized commercial sector and possibly to importing enterprises that are often foreign and are concentrated in the capital or the outlying suburbs. The traditional sector, the informal commercial sector generally does not have access to official credit. There are therefore several obstacles to fostering the development of commercial activities. Among such obstacles are the following particularly:

(a) Structuring the commercial credit branches of financial institutions;

(b) Tailoring the terms of reimbursable loans to the characteristics of the sector such as the speed of sales turnover and seasonal cycles as well as the type of commercial operator;

(c) Carrying out a preliminary study of commercial credit requirements in the light of the objectives selected for the sector and the strategy adopted.

53. If the commercial banks manage to mobilize domestic savings particularly in the rural areas, they will be able to increase prospects for granting loans.

54. Greater access to the finances of commercial activities will promote competition among operators to the benefit of consumers.

5.6 Measures on how to balance domestic trade between the urban and rural sectors

55. Briefly, the main measures that may be recommended with respect to how to organize domestic trade so as to promote its contribution to national development in general and to the promotion of the rural sector in particular and thereby help to engender sustainable and better balance of trade between the rural and urban sectors include:

(a) Policy choice

(i) Taking into account the dynamic environment of the domestic trade sector, particularly, sectoral development objectives

(ii) Preparing a production, import and export policy to better adjust supply to domestic demand

(iii) A thorough analysis of demand for intermediate and capital goods as well as consumer goods throughout the country.

(b) Organization of distribution

(i) Defining the role of each type of economic operator and the terms of admission to the trade establishing terms for competition which prevent monopolies

(ii) Taking measures that promote the consolidation of supply and demand in rural areas

(iii) Carrying out a preliminary study on the best location for warehouses and conservation and/or processing facilities for perishable goods in the rural areas

(iv) Considering the interests of consumers and the need to protect such interests particularly in the underprivileged areas where consumers are badly informed and have low purchasing power

(v) Laying down conditions of work for commercial operators which will enable them to operate efficiently without any risk of causing breakdowns in the distribution networks

(vi) Establishing conditions for promoting the development of private or public wholesale trade in the remote areas.

(c) Development of infrastructure

(i) Co-ordinating plans for extending the road network with sectoral development objectives and plans for building warehouses and conservation and processing facilities

(ii) Developing the road network between rural areas without necessarily passing through the capital or other major urban centres

(iii) Promoting and controlling transport in line with (i) above.

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recently been evaluated at more than 50 per cent of rural households in many countries 11/ measures to facilitate trade would encourage this landless rural population to undertake non-agricultural productive activities.

(3) It is therefore important that the countries of the region adopt the measures recommended in this study particularly

(a) Making a detailed analysis of demand in order to steer domestic production to satisfying such demand

(b) Adjusting the policy on the incomes of farmers in order to increase their purchasing power

(c) Drawing up stable and remunerative producer price policies

(d) Making more credit available for the development of the rural sector

(e) Organizing distribution networks (matching supply to demand) promoting wholesale trade in the hinterland of countries, optimal location of warehousing and processing facilities

(f) Improving the network of access roads according to sectoral and regional production objectives and in relationship to the plans for establishing storage warehousing and processing facilities.

(g) Establishing a well defined structure for economic operators clearly stating the role of each type of operator such as importers wholesalers, semi-wholesalers and retailers

(h) Defining the role of parastatal enterprises and getting up co-operatives and ensuring that they operate smoothly

(i) Developing a regular system of domestic transport to ensure the movement of products and the supply of isolated regions

(j) Establishing economic growth centres in the rural areas by encouraging small scale and cottage industries

(4) The public authorities should accord domestic trade the priority it deserves in development programmes because of its catalytic power in the process of production expansion. Any attempt to expand intra-African trade will not succeed unless national trade structures are strengthened.

Annex 1